

# { 2017 GRANT THORNTON } EXECUTIVE FORUM

## — Facilitators —



**LANGLEY BC FORUM:**  
**Peter Veerman**  
Partner, Grant Thornton LLP



**EDMONTON FORUM:**  
**Michael Oseen,**  
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**TORONTO FORUM:**  
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Partner, Grant Thornton LLP



**HALIFAX FORUM:**  
**Ryan Power**  
Partner, Grant Thornton LLP

## Taking Canadian food and beverage into new markets

**W**ith Canada continuing to produce some of the world's most exciting food and beverage concepts and companies, we felt the industry would benefit from a group discussion on how businesses are approaching and achieving growth by entering new markets. To that end, Grant Thornton joined with *Food in Canada* to host four executive forums — in Langley, BC; Edmonton; Toronto; and Halifax — where small groups of entrepreneurs exchanged ideas about the challenges and opportunities of entering new geographic markets.

Across the nation, food and beverage executives agreed that Canadian companies are well-poised for expansion. The country's products are known for good quality and safety, allowing companies to leverage the "Made in Canada" advantage. This is true not only in familiar markets like the U.S., but in farther regions as well. Japan, for instance, is now emerging as a prime location for expansion. Although it is highly regulated, the country's consumers are willing to pay for quality, allowing companies to reduce product commoditization.

Yet, pitfalls exist. Companies that have forayed into foreign markets typically agree that it's important to avoid growing simply for the sake of growth. Too rapid expansion can compromise quality and push up costs.

Given the potential obstacles, food and beverage companies looking to expand must lay the groundwork for success. This starts by doing your homework. Every region has different cost pressures, government regulations, taxes, duties, food safety rules and more. Before expanding into new markets, operators must understand prevailing labour conditions, consumer tastes, local buying habits and sources of competition. To gear products, packaging and portion sizes to

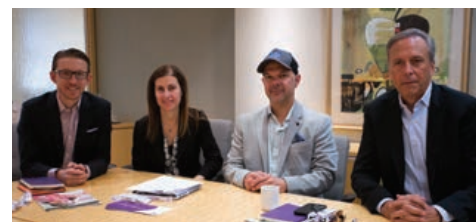


photo: Stephen Ferrie



photo: Grant Thornton LLP

local tastes, it can help to visit key locations and look at what's on retail shelves.

It's also important to find reliable "boots on the ground." There is no substitute for local knowledge, especially where cultures and languages differ. That's why it can make sense to work with local brokers and distributors, hire local sales representatives, work with local chambers of commerce and/or attend in-person meetings to cultivate effective partnerships and build key relationships.

Executive forum participants also agreed that the government has a role to play. In addition to providing access to capital and fostering innovation, it can help negotiate with foreign governments for greater market access. Trade agreements can play a crucial role.

Above all, growth requires the right mindset. With patience, preparation and persistence, Canadian companies have a great opportunity to turn growth aspirations into business reality.



**Jim Menzies, National leader,**  
Food and Beverage practice  
Grant Thornton LLP



Text by: Carolyn Cooper

## Why growth?

With the proper preparation and a good amount of patience, growth opportunities abound for Canadian food and beverage companies

Business success is inevitably tied to growth. As a business owner you naturally want to sell more of your products and reach more consumers. And at a certain point in the life of all companies, expansion opportunities will arise. For food and beverage businesses in Canada, growth opportunities often involve entering new markets, whether that means across Canada or around the world.

But expanding your operations or your distribution network just because you can isn't always the best option, and can ultimately bring more challenges than benefits. Growth which is too quick, or which is unsustainable, can also result in disappointment — for you, your employees, suppliers, distributors and the customers who support you. That's why having a strategy for manageable growth is crucial. It's also what will ensure you have the financing, products and people in place to seize those opportunities when they present themselves.

Entomo Farms, based in Norwood, Ont., has grown tremendously since 2014, when it became North America's first human-grade insect farm. According to president Jarrod Goldin, his brothers, Darren and Ryan, had been farming insects for the reptile industry for years before. It was only after the Food and Agriculture Organization of the United Nations' white paper *Edible Insects: future prospects for food and feed security* was released in 2013 that the three entrepreneurs realized the potential to expand the business to producing cricket powder. "When this article came out it basically fuelled the fire — it created a platform



photo: Stephen Ferrie

**JARROD GOLDIN, president**

Entomo Farms

[www.entomofarms.com](http://www.entomofarms.com)

HQ: Norwood, Ont.

Est.: 2014

**PRODUCTS:** Insect powders, roasted seasoned insects, insect pet food.

**MARKETS:** U.S., Canada, E.U., Australia, New Zealand, South Africa, Japan, South America, South Korea.

*“We are looking forward to a launch with Loblaw for our retail powder under the PC brand, growing our ingredient business for human and pet food, and increasing awareness and strategic partnerships.”*

for the opportunity for the industry to explode,” says Goldin. The company is now one of the world's largest insect protein providers. “Growth has been explosive; the uptake has been fantastic and unexpected,” he says, adding that they have demand from around the world.

Goldin notes that the company's rapid growth still has some limits — a reminder that the infrastructure for growth must be in place for it to be maintainable. But, he says, “With anticipated higher demand we're excited to see the industrialization that engineers can bring to our industry enabling scale to occur.”

At the same time, part of any strategic plan is knowing when to say no. “We look at our growth to be where it's going to work for us. We're not going to take business just for the sake of having business. It's got to have profitability to it,” says Glenn Canuel, ➔



**TOM PHILLIPS, general manager**

Berryhill Foods Inc.

[www.berryhillfoods.com](http://www.berryhillfoods.com)

Abbotsford, BC

Est.: 1994

**PRODUCTS:** Cultivated blueberries, red raspberries.

**MARKETS:** Canada, U.S., Japan, Korea, Australia. Developing markets in other Asian countries.

*“We are managing growth, slow and steady, working with our growers, investing in people, equipment, new technology, systems, training, cold storage and building on our customer base. Berryhill Foods strives to supply the highest quality raspberries and blueberries at competitive pricing.”*



## Where will you grow?

Canadian companies have the world at their doorstep. With our first-class food safety system and our positive global image, made-in-Canada food and drinks are considered top-quality, value-added products, often commanding a higher price tag.

Those factors have been an advantage for Canadian businesses entering markets with high quality standards, where consumers want unique value-added products. “I’ve found the Japanese market to be very highly regulated, not in a bad way, just very detailed,” says Kirk Homenick, president of Surrey, BC-based Naturally Homegrown Foods, producers of handcrafted-style chips. “When you have all your ducks in a row and you do that work you do attract that premium customer, and the Japanese market can be tremendous for you.”

According to Tom Phillips, Berryhill Foods sends “15 or 20 per cent of our volume” to Japan. “Doing business in Japan has probably put us a little ahead in the domestic market,” says Phillips, agreeing that the country’s strict quality standards have actually helped the company grow. “Now the domestic markets are catching up in the food safety aspects of the business, but Japan’s been requesting these types of things since we started. So they kind of pushed us forward — it’s a very important market for us.”

China, with its emergent middle class, is still a lucrative market for Canadian goods, but only if you’re interested in competing on price. “China’s difficult — they’re a low-price buyer and we face trade barriers such as duties and tariffs,” says Phillips. Peter Swim, president of Clark’s Harbour, NS-based Simply Fresh Seafoods, agrees that China can be a tough market to crack, particularly for high-value products like lobster. “Everyone that I compete with is focused on China right now. But I don’t send any products to China because it’s so competitive, and it’s really a commodity,” notes Swim. “It’s driven by very tight margins. I look for a customer that has, for lack of a better word, a high-end selling chain.”

At the same time, China can offer significant high-volume orders, but often with some conditions. “The challenge with that is on the strength of price point and volume, and hitting demand on one item, they do sort of throw a curve ball at you and say, ‘Well, we actually need the product to be like this, to formulate it this way, package it this way,’” says John Marineo, general manager of Sherwood Park, Alta.-based Arctic Chiller, which supplies custom-labelled bottled water

CEO of Canuel Caterers/dba Canwell Enterprises Ltd. based in Surrey, BC. The company provides meals to roughly 24,000 people each day in more than 55 locations in the province, but Canuel says issues like staffing in new locations can often make growth unprofitable. “Expand for the right reasons,” he says, “and have the support mechanism in place.”

For Berryhill Foods Inc., an industrial processor of raspberries and blueberries, being able to offer a consistent supply of safe, high-quality fruit has enabled the Abbotsford, BC-based company to ship to markets around the world through partnering with high-volume customers. “Our customer base is not lengthy. And the customers we deal with are demanding — they have their brands to protect. So we’ve tried to build our business around being a safe place they can buy their fruit to protect their brand,” says general manager Tom Phillips. “But to create a company and keep it online and meet the standards that we do, continual growth can be a problem,” he warns. “We’ve had to stop and slow down and make sure that we continue to do the job that we said we would to our customers and to our growers, and treat our employees fairly — all the things that make our company successful.”

Most crucially, says Phillips, remember that there is no such thing as an overnight success. “The food industry is a business of patience. It’s not a get-rich-quick thing. It takes many, many years to develop relationships and build your business and see a return,” he says. “My bottom line is be patient, be in it for the long haul. It’s slow and steady growth that you can manage that wins the battle.”



**GLENN CANUEL, CEO**  
Canuel Caterers, dba  
Canwell Enterprises Ltd.  
[www.canuelcaterers.ca](http://www.canuelcaterers.ca)  
Surrey, BC  
Est.: 1993

**PRODUCTS:** Foodservice company contracted to provide daily foodservice to schools, government, sports complexes and corporate head offices.

**MARKETS:** More than 55 locations in BC.

*“We grow when and where we are able to see a profitable opportunity. We do not grow just to have a new location. We have a P & L model and a check-and-balance procedure. We look at how difficult it will be to staff, whether there are competing food sales and where they are located. We do a background check on the company we are going to partner with. Our growth comes from bids, word of mouth and good old pounding the pavement.”*



across Canada, the U.S. and China. “So we’re conscious of that to make sure we don’t re-invent our own model, which has been successful and has been driving growth all these years. And a lot of it has to do with understanding the market, understanding your limitations, and doing some research ahead of time.”

With its vast market of consumers, higher profit margins can often be found south of the border, and many Canadian food and beverage manufacturers look to the U.S. as a natural expansion opportunity. “We have extremely high freight costs, and it tends to be that the further you go, the more inefficient you are or the less competitive that you can be,” says Homenick. For that reason, the entrepreneur says, the company began its growth in the local market and the Prairies, eventually “getting into the U.S. market, focusing on the I5 corridor predominantly.” Homenick notes that despite our similarities the U.S. is a very different market. For instance, each state has its own regulations, as well as its own value chains. “What we found in the early days was that even if some of the retail players were exactly the same, they behaved very differently,” he says. “The market dynamics were quite significantly different.”

Dan Beach, co-founder and CEO of Whitby, Ont.-based Aware Beverages Inc./Social Lite Vodka, says the company is planning to be in the U.S. by next year. He agrees that the U.S. can be complex to navigate. “There are a lot of legal aspects to it, a lot of control, especially in the U.S., where it’s a three-tier system for alcohol. So finding the right mix of the best partners is more challenging.” In addition to the volumes expected being much larger in the U.S., Beach says each state has different tax rates on alcohol which adds to the difficulty of the American market. “In most states, tax on beer is incredibly low...but if you’re a spirits-based product you’re taxed higher and in some cases it’s based on liquid volume not percentage of alcohol, so we could be taxed at the same level as a case of Johnny Walker. So we have to prove that it will work in one market, and then be able to expand.”



**KIRK HOMENICK, president**  
Naturally Homegrown Foods Ltd.  
[www.hardbitechips.com](http://www.hardbitechips.com)  
Surrey, BC  
Est.: 2001

**PRODUCTS:** Hardbite handcrafted-style chips.

**MARKETS:** Canada, U.S., Japan, Taiwan, Hong Kong, Singapore, Philippines

*“We see our company growing through regional distribution expansion (key in Canada and the U.S.), as well as through the launch of new and innovative products.”*

Beach notes that a future option may be to work with an American co-packer, or to establish a manufacturing facility in the U.S. “With the exchange rate it becomes a little more challenging,” he says. “We have created a U.S. subsidiary as well, so we’re in a position to do that. But at this point it’s easier for us to push more in Canada.” The company currently sells its sugarless craft cocktail Social Lite Vodka in Ontario, Alberta and BC.

Ultimately, deciding which new markets you will enter means being prepared with as much information on that market as possible. And that includes visiting that market, talking to local retailers and consumers, and determining where your challenges will lie. “Do your homework — learn about that market, build a plan and hold your team and yourself accountable to it,” says Homenick.

Doing your homework means investigating everything from consumer eating habits, to ensuring the infrastructure is adequate to support foreign locations. For Sherwood Park, Alta.-based NutraPonics Canada Corporation, having a list of go/no go criteria is essential before entering any new market. “One thing that’s really important is establishing what the buying habits are of that locale. What’s the appetite in that market, and what is the price point?” says director and CEO Tanner Stewart. “From there we have to look at all of our costs of goods sold, and electricity and labour are our number-one issues because we’re deploying entire businesses in these regions. On the other end of the spectrum, one of our main criteria for going could absolutely be driven purely off of food security and the local labour initiative.”



**TANNER STEWART, director & CEO**  
NutraPonics Canada Corporation  
[www.nutraponics.ca](http://www.nutraponics.ca)  
Sherwood Park, Alta.  
Est.: 2010

**PRODUCTS:** Natural food crop production technology

**MARKETS:** We are running the largest Indoor Vertical Aquaponics Farm in Canada.

*“I see our company growing alongside the demand for high-quality sustainable food produced without pesticides or herbicides. This is a global trend not unique to North America. Our philosophy to growth is to ensure our clients’ success above all else. We do this by focusing on the quality of our technology.”*



## Moving your goods

You've targeted a market and are ready to start shipping. But now the hard part begins, starting with logistics. One of the crucial questions you have to ask yourself is how will you move your goods, and with whose help?

Beyond the challenge of high freight and other transportation costs, one of the most challenging aspects of market expansion involves navigating that market. Without boots on the ground, so to speak, your products may languish. A local company will help you with the supply chain and distribution issues, as well as with any labour, language and cultural challenges.

"Work with somebody local," advises Jarrod Goldin. "You need local champions, people who understand the atmosphere and the landscape of that particular market. That's our approach. Don't try to bully your way in there."

Gord DeJong, vice-president of Edmonton-based Siwin Foods, agrees that maintaining a local partner is often the smartest move. "In Western Canada we've touched pretty much every retailer out there, so in order to grow our business we have no choice but to look for new markets." But, he says, "we haven't had a lot of success with brokers. A lot of times they just seem to be taking on so many products that they can't really focus on your item."

On the other hand, says DeJong, local partners with an



**PETER SWIM, president**  
Simply Fresh Seafoods Inc.  
[www.sfseafood.com](http://www.sfseafood.com)  
Clark's Harbour, NS  
Est.: 1896

**PRODUCTS:** Lobsters, sushi-grade bluefin, BigEye tuna and halibut

**MARKETS:** Kuwait, Dubai, Saudi Arabia, Kuala Lumpur, Japan, U.K., U.S.

*"We look for the customer who really wants something that's deliverable 52 weeks a year, and can pay a little bit more for it, and who wants a long-term relationship with a direct supplier."*

### BEFORE YOU GO

**Does your food or beverage product need to be customized to suit local tastes, shopping habits or regulations? Some things to consider include:**

- > Does your package size need to be altered?
- > Are there nutrition labelling regulations you must meet?
- > Does your labelling (including ingredients, nutrition, marketing messages and company information) need to be changed to suit the market?
- > Do you use GMOs or other potentially controversial ingredients?
- > Are there language or cultural barriers you need to consider before launching your product?
- > If you have to compete on price, can you make adjustments to your product?
- > If there are already competitors in that market, how do you differentiate your products?

emotional attachment to the product can be a huge advantage. "Develop a tight relationship with that partner so that you really understand them well, and ensure that they're going to get behind your product and help make it a success," he advises.

Dan Beach agrees: "You have to do the research, but you also have to go and meet them," he says. "As crazy as it is with all the technology, it's still important for us to physically be there, meet the salespeople in the field, and understand what they're about, what motivates them. And you have to have ongoing communication. It's important for us to understand what's happening in our different markets."

Partnerships are also at the core of expansion for Arctic Chiller. "You have to have a very solid relationship and a trust between you so that you're both going in the same direction," says John Marineo of local partners. "I'd also encourage people to take a look at every opportunity that comes to them. And if you're working with a network or dealer that you're not getting a good feeling about, don't be afraid to cut bait and look for another one." Marineo also advises against offering exclusivity to local partners. "A lot of people ask for that right out of the gate. I can understand where they're coming from, but the reality is that if you are on an exclusive arrangement you are very limited if that network does not produce anything."





**JOHN MARINEO, general manager**

Arctic Chiller

[www.arcticchiller.com](http://www.arcticchiller.com)

Sherwood Park, Alta.

Est.: 1996

**PRODUCTS:** Custom-labelled bottled water.

**MARKETS:** Canada, U.S., China.



*“Growth is accomplished by taking on a leadership role within the industry, in new and emerging markets where ample opportunities exist. Controlled growth is essential to the financial health of our company and the viability of long-term success. Category leadership through total focus on product quality, personalized customer service and innovative packaging/design.”*

Although Simply Fresh Seafoods has grown “almost exponentially” in the past five years, and now has a facility that holds a million pounds of lobster, Peter Swim says the family business is “limited in our expansion because we have a live product. A concern for us is getting our lobsters live to the customer in a very timely fashion.” For that reason Swim says new markets must be accessible daily by air, with a guarantee of good ground logistics.

One solution, says Swim, has been to establish partnerships with clients in new markets — beginning with a restaurant chain in London, England — which are able to build a centralized holding facility. Swim believes this model, which emphasizes lobster’s position as a premium product rather than a commodity, would also help the Canadian seafood industry grow. “We’re always fighting over getting the product and then underselling it. If there were more people focusing on, say providing a good service to a more limited amount of customers, it would probably work out better.”

Establishing your own centralized distribution system can also be a solution when expanding into new regions. It’s been a success for Canuel Caterers, which eventually created its own distribution company, Branded Distribution, to help with logistics and expenses. “It’s worked well for us,” says Glenn Canuel. “It’s enabled us to lower our costs, and to be very competitive in the market.

## Help wanted

You’ve worked hard to build your good reputation, so why risk it by expanding your business without adequate funding? Yet a lot of companies do, leaving them open to unfulfilled orders and broken contracts.

While banks are traditionally more risk-averse when it comes to the food and beverage industry, venture capital seems to be becoming more accessible in recent years, particularly for innovative products that meet consumer demand for features such as high nutrition, alternative protein, animal welfare, organic ingredients and/or environmental sustainability.

Federal programs like SRED (the Canadian Scientific Research and Experimental Development Tax Incentive Program) can also be invaluable. The Business Development Bank of Canada supports many food and beverage entrepreneurs as well, and may be more willing to take risk than some banks.

“We assess every opportunity or every grant or government potential support mechanism that there might be,” says Tanner Stewart. “We also try to lean into the government infrastructure as well. Sometimes the government is trying to lead you to market. So I think a lot of it is keeping your ➔



photo: Stephen Ferrie

**DAN BEACH, co-founder & CEO**

Aware Beverages Inc.,

Social Lite Vodka

[www.sociallitevodka.com](http://www.sociallitevodka.com)

Whitby, Ont.

Est.: 2014

**PRODUCTS:** Craft cocktails.

**MARKETS:** Ontario, BC, Alberta.

*“We see our company’s geographic growth in the short term in Canada and the U.S., and our longer-term growth is in Europe and Asia. Our philosophy on growth is to test and expand. We run pilot programs to test our drink in a market before we expand.”*



## Branding Canada

The Canadian “brand” goes a long way toward opening doors to international markets, especially for food and beverage products that link to Canada’s reputation for clean water, high food safety standards, and premium goods.

Gord DeJong notes that a lot of countries, including Japan, China and South Korea, regard Canadian food and beverage products as being superior in terms of safety and quality, “so it’s important to highlight products as coming from Canada. We have a lot of benefits with our products in these countries,” he says, adding, in reference to Siwin’s entry into Eastern Canada, “people in Canada also want to buy Canadian products.”

Regional signifiers are now being used more often, as customers learn more about food production and origin. “Anybody that wants a quality product really does know where lobsters are caught, where they are better quality,” points out Peter Swim. “So we’re lucky that we can brand Nova Scotia, and I do, because they’re the better quality. Atlantic Canadian businesses should be much more focused on finding a way to brand.”

Hardbite Chips are marketed with a West Coast vibe, which made it important to brand as a product of BC when the company entered the Pacific northwest states. “When we went into the U.S. market we were very proud to promote that outdoor lifestyle element of British Columbia,” recalls Kirk Homenick. “And we took that a step further and created the Cascadia aura around our brand. So in the U.S. the product is actually branded with a Cascadia flag, which you see in Oregon, Washington and BC.”

Sir Richard Branson has been quoted as saying “Business opportunities are like buses, there’s always another one coming.” If they’re prepared to meet those opportunities with the right strategy and research, Canadian food and beverage producers have the potential to take on the world. “There really is no other country like Canada,” muses Tanner Stewart. “We’re one of the smallest, wealthiest nations in the world. We have a limitless amount of space, we have a lot of fresh water, we have a lot of agriculture science and technology under our belts. We know how to produce a lot of things, and we have a lot of social capital on a global scale. So to me that means we have lots of market access,” he says. “I’m sure there are very few places around the world that we can’t do business in or where we wouldn’t be welcomed. We really need to become aggressive in the food industry, on an international scale, and be very proud of what we have to offer.”

eyes and ears open to these opportunities and communicating with government officials.”

“We’ve had some very good support from the government, but when it comes to selling directly to the end consumer, there isn’t much of a discussion, the parameters are just not in place to support that model,” says Dan Beach about the many regulations that prevent the company from selling directly to the end customer, and which initially kept them out of the Ontario market. “The response is ‘Those are the laws, those are the restrictions.’ But we are a product that is challenging the status quo and the traditional model will need to evolve since it doesn’t make sense for our product — we’re not a 40-per-cent alcohol product. So the mindset and supporting regulations just take time. It’s frustrating to have to deal with that when you’re in a fast-moving industry.”

Trade missions can also open doors. “I’ve been on a lot of trade missions with the government — they’re a great opportunity to learn about the country and what the consumers’ habits are,” says Gord DeJong. “The nice thing about getting involved in these trade missions is meeting the officers that have taken up shop in those countries. They have a lot of very important information that companies like us can use. They’re living there, they understand the market.” In fact, he says, the company only realized the market opportunities available in the Philippines for Siwin’s value-added meat products after a meeting with a Canadian trade officer living in the country.

And don’t forget the importance of industry associations or support networks. “We usually travel to Asia once a year, and we go to trade shows with some of the associations that we’re joined with, like the North American Blueberry Council, the Raspberry Association and the BC Blueberry Council,” says Tom Phillips. 🍓



**GORD DEJONG, vice-president**  
Siwin Foods  
[www.siwinfoods.com](http://www.siwinfoods.com)  
Edmonton  
Est.: 2004

**PRODUCTS:** Pot stickers, dumplings, ring sausages, smokies, Longanisa/Tosino, stir-fry sizzlers.

**MARKETS:** Canada, Japan

“We have experienced 100-per-cent growth over the first 10 months of this fiscal year. We are expecting our growth trend to continue, through expanding our presence in Eastern Canada and new export opportunities.”